

**From:** Deirdre Saoirse Moen

**Subject:** Study on Credit Bureaus Handling of Disputes

Date: Sep 16, 2004

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Proposal: Notice of Study and Request for  
Information - Fair and Accurate Credit Transactions of 2003 (FACT Act)  
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Comments:

@@@There are some definite issues not addressed in the Fair Credit Reporting Act or the FACT Act.

#### 1) Hard vs. Soft Credit Pulls

There is no distinction made in law between a "hard" credit pull and a "soft" credit pull. The former are customarily used when applying for new credit; the latter are customarily used when reviewing accounts, promotional inquiries (including pre-approved credit card offers), or the consumer's own inquiries.

Some banks, such as MBNA, pull two (or more) hard pulls per credit application. Since each hard pull can affect one's FICO score, and since inquiries make up 10% of one's FICO score, that second inquiry can make thousands of dollars of difference on a mortgage.

As consumers, we need protection from this practice.

a) Places we apply to should be permitted only one hard pull per application for credit, even if the consumer requests a re-consideration for a decline

b) Collection agencies should never be permitted hard pulls

#### 2) Penalization for Payment of Debts

Under the current system, consumers are penalized for paying off old past-due accounts, and not just for statute of limitation re-setting reasons. Paying the debt re-sets the date of last activity and therefore is counted just the same, FICO-score-wise, as if the debt had just gone delinquent. Risk-wise, is the person who just paid a 3-year-old utility bill gone astray the same risk as the person who just defaulted on a credit card? No.

Additionally, since the contracts with credit reporting agencies do not permit

collection agencies to make pay-for-delete arrangements, paying a collection agency is, score-wise, always a bad move.

Needless to say, this has unfortunate consequences for debt collection, especially debt that is outside the statute of limitations for filing suit, but within the statute of limitations for credit reporting.

### 3) Accurate reporting of credit limits and the counting thereof

Suppose you have three credit cards, two of which have \$10,000 limits and one of which is an American Express card. You have \$3,000 on one, \$2,000 on another, and \$5,000 on your American Express green card, which you pay off each month. By FICO rules, your utilization isn't the 25% you'd expect (the national average), but 50% because no limit is reported for the American Express Green, but the balance is counted against your total balances. 50% puts you in a higher risk category (with the 16% of the riskiest debtors) and costs boatloads of FICO points.

### 4) Misreporting that's not currently expressly prohibited by law

Some Junk Debt Buyers (JDBs), so called because they purchase debt that's outside the statute of limitations for lawsuit, but not outside the statute of limitations for reporting, like to report their accounts as revolving accounts.

Why? Because the balance is always higher than the credit limit, thus tanking the consumer's credit utilization.

Also, once a debt is charged off, it should be reported with a zero balance. It's also not expressly written in the law that an item discharged in bankruptcy must be reported as a zero balance, thus various creditors and collection agencies get cagey on the issue. The credit reporting agencies wash their hands of the matter, claiming any dispute of an item already (allegedly) "investigated," leaving the previous debtor with a lawsuit as their only means of recourse. And lawsuits are not known for being quick resolution.

### 5) Non-investigation

Others have reported problems with getting credit reporting agencies to investigate disputes. In my case, they claimed to have verified an item with a bank seized by the FDIC two years ago. My question is: is a seance a legally permissible investigation technique?

### 6) The Zombie debt

Despite the practice having been made illegal, some junk debt buyers do re-age debt. The investigative practices for same aren't even up to the seance level. I've been fighting the result of a misunderstanding (after returning a cell phone at the end of a lease, the return paperwork wasn't processed properly by the lessor) for 17 years. It is, once again, after fighting it two years ago, again on my credit report -- from two different collection agencies.

### 7) Phantom names and addresses

One of my credit reports has 23 variants of my name and more than 20 variants of addresses. Six of them are for a single location! While these don't directly affect my FICO score, they do make me look like a flake just because some data entry clerks cannot spell. Yet it has been hell getting these off my report because the credit reporting agencies won't delete something that's associated with an inquiry or trade line. In order to find out which alias is

associated with whom, you need to reach a human, which takes time out of one's work day.

Off the top of my head, those are my concerns, written between 2:41 a.m. and 3:01 a.m.

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